

UNITED STATES DEPARTMENT OF AGRICULTURE  
AGRICULTURAL MARKETING SERVICES  
(Dairy Programs)

Milk in the Northeast and )  
Other Marketing Orders ) Docket No. AO-14-A73 et al.  
 ) DA 03-10  
Fluid Milk Product Definition )  
70 Fed. Reg. 19012 (April 12, 2005)

Pittsburgh, Pennsylvania  
June 20, 2005

**Testimony of Mike Suever  
on behalf of H.P. Hood, LLC**  
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Chelsea, MA 02150-2301

I am Mike Suever, senior vice president of R & D, Engineering, and milk procurement for H.P. Hood, LLC. H.P. Hood LLC, its Crowley Foods division and its Kemps LLC subsidiary, own and operate a number of milk processing and manufacturing plants in the eastern United States and in the Midwest. Hood produces a full line of fluid milk, traditional Class II products, and specialty products. Hood packaged fluid milk is distributed throughout the east and midwest. Several manufactured and specialty products produced by Hood and its copackers are distributed nationally.

**H.P. Hood's Position in a Nutshell**

As stated in my letter of January 31, 2005, to Deputy Administrator Coale, which contained Hood's proposals for this hearing, our primary view is that no change is needed to the current regulations. The fluid milk product definition should not be amended to include more dairy products in the Class I category, nor any new dairy beverage unless it competes directly and substantially with conventional fluid milk sales. However, if USDA decides that an amendment of the rule is necessary, Hood's Proposal No. 5, as modified, provides express standards for an administrative conclusion that a dairy beverage with less than 6.5% nonfat milk solids competes with and displaces Class I fluid milk sales and that product may therefore warrant Class I classification. Hood is withdrawing Proposal No. 6.

Our position at this hearing is based on several axioms. (1) The development and marketing of new dairy products is good for the dairy industry and for the consuming public. (2) New product innovation is very expensive. (3) Creating higher raw ingredient costs discourages product innovation. (4) High raw ingredient costs encourage manufacturers to reformulate and seek lower cost, non-dairy substitutes. (5) Consumers respond to price increases by reduced purchases. (6) Milk producers respond to higher farm milk prices by increasing milk production. (7) Increased milk production produces lower farm milk prices.

Reclassification of some beverages, as proposed in this hearing, would affect a very small volume of milk, so any enhancement of producer blend prices would be negligible at best, and probably short-lived, as explained by Dr. Stephenson. On closer examination, it is likely that farm milk prices will be reduced by these proposals. Current marketing order rules stifle dairy product innovation and development by capturing in the fluid milk definition products that are not fluid milk. Proposals at this hearing would further discourage new dairy product innovation and encourage use of non-dairy ingredients in beverages. These consequences are damaging to the industry, damaging to producers, and damaging to the interests of the consuming public. As a matter of public policy, and economic reality, USDA should do all it can through the federal milk order system to encourage product innovation and create new demand for producer milk. Class I milk should be limited to products with at least 8.25% milk solids not fat entitled to be packaged and labeled as "milk" as defined by the FDA in 21 C.F.R. 131.110, and those fluid milk substitutes that compete directly and substantially for fluid milk sales, consistent with economic reasoning and regulatory policy underlying classified price discrimination.

**Carb Countdown was Developed and is Marketed by H.P. Hood as a Dairy Beverage Option for Consumers who Would Not Otherwise Consume Fluid Milk**

As a processor of fluid milk, Hood does not wish to pursue regulations that would damage its producer-suppliers or to encourage consumers to buy non-milk beverages instead of fluid milk. Rather, by offering innovative beverages with dairy ingredients, we

hope to regain or retain part of the market share the dairy industry has lost or would lose to non-dairy beverages, and to attract consumers that would not otherwise pick up a carton of milk at the grocery store. It was with these objectives in mind that Hood developed and introduced a new dairy beverage called Carb Countdown™.

Carb Countdown™ is a low-carbohydrate beverage containing milk ingredients. It is produced by Hood in New York, Virginia and Connecticut; and by co-packers in the West.. Less than 6.5% of the finished product weight of the product is nonfat milk solids, representing only 79% of nonfat total milk solids required in FDA-standard beverage milk. Carb Countdown™ cannot, therefore, be packaged and labeled as “milk.” As displayed on the ingredient panels, the milk-derived ingredients in Carb Countdown™ are fat free milk or ultrafiltered fat free milk, cream, calcium caseinate, whey protein isolate, and buttermilk.

Carb Countdown™ was designed to appeal to people who were not buying milk, or were intending to reduce milk consumption, because of milk’s relatively high carbohydrate content. Milk carbohydrates are sugars contained in milk lactose, which makes up the largest part of nonfat milk solids in producer milk. By removing lactose through ultrafiltration, or adding dairy ingredients that contain little lactose, Carb Countdown™ is offered with only 3-4 grams of carbohydrates per eight-ounce serving. Fluid milk contains 12 grams or more of carbohydrates, representing more than one-half of initial daily carbohydrate allowance under many low carbohydrate diet plans.

HP Hood, like others in the food and dairy industry, observed several years ago that sales of fluid milk and other high carbohydrate foods were decreasing due to the growing number of people on low-carbohydrate diets. Consumer surveys cited in the August issue of Dairy Foods Magazine last year reported that 11% of the population are following a low carbohydrate diet, and 20% of the population has tried a low-carb diet since 2002. Carb Countdown™ was developed and intensively marketed to this population group, who were likely to eliminate fluid milk from their diet. An example of this marketing strategy is shown in Attachment A, a story board for a TV commercial. Consumer responses, in emails and letters to Hood, samples of which are compiled in Attachment B, reveal that

Carb Countdown™ has reached the target population and produced sales of the dairy beverage to people that were intending to eliminate conventional fluid milk from their diets or had stopped buying fluid milk altogether. Hood thus produced a value-added product that provided a market for milk and milk-derivative ingredients that would otherwise have been disposed of in surplus products, depressing producer prices.

Not only does Carb Countdown™ appeal to a limited group of consumers who would not otherwise buy milk, it also does not compete directly with FDA-standard beverage milk on price. Unlike filled milk in the 1960's, Carb Countdown™ is significantly more expensive than fluid milk on the grocery store shelf because it is significantly more costly to produce, regardless of classification. So there is no cost incentive for consumers to select Carb Countdown™ as a substitute for milk.

Carb Countdown™ is a Class 2 product in California, as are all dairy beverages that do not meet FDA or state standards of identity for milk. Although it contains less than 6.5% nonfat solids from milk and milk derivative ingredients, Carb Countdown™ has been treated by the Market Administrators as a Class I product in the federal orders. To accomplish this, USDA now counts as part of nonfat milk solids for purposes of the 6.5% SNF standard milk derivative ingredients -- such as calcium caseinate, whey protein isolate and whey protein concentrate -- that were previously treated as non-milk ingredients. Attachment C. Additionally, USDA applies an SNF equivalent and skim milk equivalent formula to dairy ingredients in Carb Countdown™, and attributes to the product all solids in milk that has been used to produce some of Carb Countdown's milk-derived ingredients rather than simply measuring milk solids in the content of the package. This interpretation, we believe, is contrary to the plain meaning of Section 1000.15, and is the subject of ongoing litigation. We are not here to litigate that interpretation in another forum, but to preserve Class II classification in the future for Carb Countdown™ and other beverages Hood may develop to bring consumers back to dairy foods and away from soft drinks or other beverage alternatives, or to keep consumers from abandoning milk beverages in the first place.

### **Criteria for Class I Classification and Price Discrimination**

*Fluid milk demand traditionally has been considered by USDA economists to be relatively inelastic to changes in the price of consumer products. The relative inelasticity of demand for packaged fluid milk, and relative elasticity of demand for other dairy products, is one of the primary reasons the dairy industry and government regulators have applied price discrimination for raw milk in the form of classified pricing. USDA explained this in its final Federal Milk Order Reform Decision, 64 Fed Reg 16026 at page 16102 (April 2, 1999)*

*“[T]he elasticity of demand for the various dairy products is significantly different, creating different consumer responses to the changing prices for various dairy products. The Federal milk orders have attempted to address these issues through classified pricing. This system allows a higher price to be applied to milk used for Class I uses due to inelastic demand for Class I products.”*

*In order to protect the integrity of Class I price discrimination and maintain Class I sales, USDA has included in Class I classification milk beverages thought to be substitutes for FDA-standard beverage milk, and which thereby displace or “canabalize” fluid milk sales. For example, filled milk was introduced in the 1960’s as a substitute for whole milk in which milkfat was replaced by vegetable fat. It apparently displaced fluid milk sales by using cheaper fat ingredients and being offered to consumers at a price below fluid milk prices. Filled milk was expressly included as Class I use in the fluid milk definition prior to federal order reform, and is incorporated in the current definition of 7 C.F.R. 1000.15. Filled milk is no longer produced in the federal milk order system. 64 Fed. Reg. at 16122.*

*The reasons for including certain fluid milk substitutes as Class I products were explained in the so-called Nourse Committee Report to the Secretary in 1962:*

“The principal reason for including milk and its related fluid by products in Class I is that because of sanitary requirements, transportation costs, and other reasons supplies tend to be limited to a relatively local milkshed. Further, the consumer demand for these products is such that relatively high prices can be charged without substantially reducing the quantities that will be absorbed by the market. Together, these factors provide sufficient reason for the inclusion of these products in the high-priced classification.

Furthermore, the extent to which closely related fluid products may be substituted in consumption for fluid whole milk, the exclusion of these from the same category as whole milk would serve to reduce the degree of inelasticity of demand, since the existence of substitutes for any product has the effect of increasing the sensitivity or responsiveness of buyers to changes in the relative prices of any particular product and of its competitor. For this reason, the successful introduction of a new competitive product, such as sterile concentrated milk, in a local market would be expected to result in an increase in the elasticity of demand for locally produced fluid milk supplies, as well as a reduction in the level of demand.”

Report to the Secretary of Agriculture by the Federal Milk Order Study Committee (April 1962) Part II, Section 1 pages 5 to 6, reproduced in “publications” on the CPDMP website at <http://www.cpdmp.cornell.edu>.

In 1970 and 1971, USDA conducted three regional hearings to provide more uniformity in product classification, producing decisions in 1974 at 39 Fed. Reg. 8202 (March 4, 1974), 39 Fed. Reg. 8712 (March 6, 1974), and 39 Fed. Reg. 9012 (March 7, 1974). In these decisions, USDA applied the Nourse Committee theories to refining products to be included in Class I use by examining product substitution and competition. Milkshakes were included in Class II because they competed for consumer dollars with frozen desserts rather than fluid milk. Infant and dietary formulas were excluded from Class I use because they are “specialized food products prepared for a limited use ... and do not compete with other milk beverages consumed by the general public.” Likewise,

beverages with less than 6.5% nonfat milk solids were “not considered as being in the competitive sphere of the traditional milk beverages.” 30 Fed. Reg. at 8715. A national hearing in 1990 produced additional, but minor, refinements to the fluid milk product definition. 58 Fed. Reg. 12633, 12634-35 (March 5, 1993). The current definition in 7 C.F.R. 1000.15 contains the same 6.5% nonfat milk solids standard as pre-reform definitions.

I summarize this history to emphasize two related objectives underlying Class I classification: First, Class I classification is intended to enhance or stabilize producer prices by price discrimination for only the most price-inelastic dairy products. Second, only milk beverages that are clear substitutes for Class I products by direct competition with fluid milk should also be considered eligible for Class I treatment to maintain the first objective. The corollary principal is that dairy products that do not directly and substantially compete with conventional fluid milk products should not be in Class I use. Class I classification should also be avoided if demand for the product is relatively elastic or if Class I classification would not enhance producer prices.

#### **Classification of Dairy Beverages to Class I Will Not Enhance Producer Prices**

Although it may be tempting to conclude that the inclusion of any dairy beverage product in Class I will benefit producers by increasing milk prices, that would be an erroneous and shortsighted conclusion. Rational examination of economic and marketing reality demonstrates, we believe, that Class I classification of dairy beverages that are not milk will discourage development of new products in the first instance, have little impact on producer prices if the products are nevertheless developed, and that the effect on producer prices will be negative rather than positive.

The expense and risk of new product research and development, and the potential use of alternative, non-dairy ingredients, are important factors in any decision to classify beverage products as Class I fluid milk. New product research and development includes several, costly stages. (1) concept scrutiny, (2) feasibility study, (3) costing and ingredient

sourcing, (4) prototyping, (5) test marketing, and (6) commercialization. The product developer hopes, over time, to recapture these costs in the price of the product. This, of course, is more difficult if high raw product prices drive up consumer prices and discourage consumers from trying the product. The odds of success, however, are weighed heavily against new food products even without regulatory disincentives. Few new food products survive beyond two years after first commercial sale. A May 12, 2005, article by the University of Georgia, College of Agricultural and Environmental Sciences, in the publication *Georgia Faces*, reported that 80% of 15,000 new food products introduced each year are withdrawn within two years, causing food industry losses of four billion dollars.

The volume of milk in Class II dairy beverages is very small, representing only a fraction of the 12% of Class II use reported by USDA for 2003 to be in “other food products,” which includes miscellaneous cream products, commercial food processing use such as soup, candy and bakery products, as well as dairy beverages. Data assembled in the table attached to Mr. Rourke’s testimony, Exhibit 12, shows that only 0.19% of total Class II use in 2004 came from dairy beverages that are Class II because they contain less than 6.5% NFMS, and an additional 0.11% of total Class II use was from Class II yogurt-based beverages. Researchers at Cornell have concluded that reclassification of new dairy beverage products from Class II to Class I, disregarding other market responses, is likely to affect producer prices by less than 1 cent per hundredweight.

The volume of milk in Class I beverages that are not traditional fluid milk products is also small, representing only 0.8% of total Class I product disposition in 2003, as reported in the annual Federal Milk Marketing Order Statistics publication. Data for 2004 assembled by Mr. Rourke in Exhibit 12 similarly reveal only 0.53% of Class I sales in products consisting of non-milk dairy beverages.

Further, as described in a recent study by Cornell University, entitled “Assignment of New Products Under Classified Pricing: A Conceptual Dynamic Model of Class Assignment Outcomes,” and in testimony by Dr. Stephenson at this hearing, Class I



assignment of current Class II dairy beverage products is likely to produce *lower* weighted average returns to producers in the long run, particularly if demand for the new product is highly elastic – as is usually the case. The Cornell study assumed that new products are actually produced and marketed as Class I products. The damage caused by failure to develop new dairy products and by artificial limitations on market expansion for milk derivative ingredients, due to regulatory disincentives, is also substantial, but probably not measurable.

### **H.P. Hood's Proposal**

While we believe that no change is needed to, or justified for, the current fluid milk product definition, our proposals seek to strike a balance incorporating the foregoing principles, and to control damage to processors and producers. We have slightly modified our first proposal – proposal No. 5 in the hearing notice – as described in our letter of May 24 to Deputy Administrator Coale, Attachment D to my testimony. Additionally, we withdraw Proposal No. 6. and will not present supporting testimony.

Proposal No. 5 would continue to focus on whether a milk beverage competes directly and substantially with FDA-standard fluid milk products and provides some criteria for measuring that competition potential. These criteria include:

- (1) *Whether the product is eligible to be labeled as “milk” under FDA standards of identity.* Whether called “milk” or not on the product label, if a milk beverage contains at least 8.25% nonfat milk solids, as required by the FDA, it presumably competes directly with fluid milk beverages. We observe that California follows this criterion by classifying dairy beverages – i.e., beverages not meeting FDA or state standards of identity for “milk” – as Class 2 products, including Carb Countdown.
- (2) *Whether the price of the product to consumers at the retail level is comparable to or below retail prices for conventional milk products and thereby encourages product substitution.* This is an important factor in a direct competition and substitution analysis. If the retail price of a dairy beverage is in excess of prices

for conventional fluid milk products, it is unlikely that consumers will be purchasing the dairy beverage as a substitute for milk. If the price is equal to or lower than fluid milk prices, as may have been the case for filled milk in the 1960's, Class I classification may be necessary to preserve fluid milk sales and to protect producer revenue from such sales.

- (3) *Whether the product is promoted and advertised in a manner intended to create product substitution by consumers.* This factor allows USDA to use a manufacturer's own promotion strategy to support Class I classification. Presumably, a dairy beverage marketed in a manner to induce consumers to buy that product where they would otherwise buy fluid milk will, in fact, create product substitution, as intended by the manufacturer.
- (4) *Whether the product is packaged and displayed to consumers in a manner substantially similar to conventional milk products.* This factor, we believe, may play a small role in a final determination of product substitution, in combination with price, promotion, advertising and consumer perception. Product placement may have no impact on fluid milk displacement or substitution, because consumers who would not otherwise buy conventional fluid milk are also drawn to the dairy case for beverages such as soy milk and calcium-fortified orange juice.
- (5) *Whether there is significant consumer feedback that indicates consumers are substituting the product for conventional milk products.* This factor is a test of consumer behavior and perception. The relevant fact is that consumers are, in fact, buying a dairy beverage when they would otherwise buy fluid milk. This would reveal product substitution and, if significant, tend to support a case for Class I classification. Conversely, if consumers indicate that they are buying a dairy beverage such as Carb Countdown because they are intending to reduce or eliminate fluid milk from their diets in any event, the purchase of dairy beverage - whether described by consumers as a milk "substitute" or "alternative" to milk - does not displace fluid milk sales and is not a product substitute for purposes of classified pricing economics.

If direct and substantial competition with beverage milk is found by these standards, Class I classification may be justified. However, in order to avoid some of the raw ingredient cost disincentive for new product development under other proposals, Hood's proposal incorporates a distribution threshold that must be exceeded before a new product will be classified as Class I. This would allow predictability of classification assumptions through the test-marketing and early commercialization stages of new product development. If a new dairy beverage is developed that contains less than 6.5% nonfat milk solids (however "milk solids" may be construed), the product innovator should be assured that Class I classification will not occur under the foregoing criteria, notwithstanding evolving evidence of product substitution, unless and until distribution of the product reaches a point of competitive significance. We have selected 3 million pounds of distribution in a federal milk marketing area as the measure of such significance.

Finally, we believe that no processor should be uncertain about whether raw milk costs will be retroactively increased, or be faced with an audit adjustment applicable to many months in the past, for a new product on which USDA has not yet issued a classification ruling. Decisions of the Secretary on a number of issues, including Class I prices and butterfat differentials, demonstrate the damage and disorder that retroactive pricing may produce. Our experience with Carb Countdown confirms this. USDA Dairy Programs issued its Carb Countdown classification decision in March 2004, but applied that decision retroactively to distribution of the product in 2003. This resulted in large, and unexpected bills from the Market Administrators, and severely upset our understanding about product classification under which we developed and initially marketed the product. Our proposal, therefore, shifts the burden on USDA to make a prompt, written classification determination *before* a new dairy beverage that otherwise falls below the 6.5% milk solids non-fat standard may be classified as Class I.

## CONCLUSION

Dairy and milk ingredient technology have clearly changed in the course of a few decades, and even a few years. However, the basic laws of economics that underlie the classified pricing system have not been amended. Price discrimination by higher Class I

prices can only work for milk used in products for which demand is relatively inelastic: conventional fluid milk products. Knee-jerk classification of beverages as Class I -- whether applying a 'straw test,' a pour test, or a protein test -- will harm producers, processors and consumers. Before any dairy beverage perceived to compete with, and displace sales of, fluid milk is classified as Class I, a rational determination of direct and substantial competition and product substitution should be made. That is what we propose, and ask the Secretary to adopt, if any rule amendments are to be made.

That concludes my testimony.

## **ATTACHMENT A**



## "Craving Milk Glass"



MAN IN SANDWICH SHOP EATING A LOW-CARB LUNCH AND MISSING MILK.  
**MAN (VO):** Ahhh, the low-carb life.



THE GLASS GROWS TO BE 3 FEET TALL.  
**MAN:** ...milk



per 8 ounce serving. That's 75% less carbs than milk. And it has 50% more protein. With the rich, creamy taste



**ANNCR:** Carb Countdown from Hood. America's Dairy expert since 1846.



MAN NOTICES A GLASS OF MILK NEARBY  
I'm feeling better, looking better. Everything's better.  
But there is one thing I miss - big time...



**ANNCR:** That's why there's Hood Carb Countdown. It's made from milk, but has fewer carbs. 3 grams of carbs.



you've been missing. It's the only Atkins-approved dairy beverage.



**HOOD LOGO:**  
America's Dairy Expert Since 1846



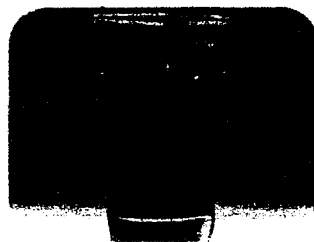
## "Craving Chocolate Fountain"



A GUY IS HAVING A LOW-CARB LUNCH IN A PARK. IN FRONT OF HIM IS A FOUNTAIN.  
**GUY (VO):** Yeah I love the low carb life.



FOUNTAIN BEGINS SPEWING CHOCOLATE MILK. MAN LOOKS AT IT IN DISBELIEF.  
**GUY (VO):** ...chocolate milk.



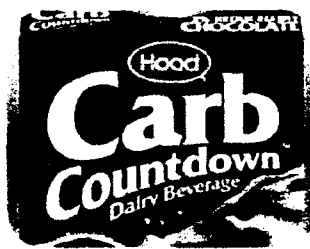
2 grams of net carbs per 8-ounce serving. That's 90% less than chocolate milk. And it has 33% more protein. With the rich chocolate taste you've been craving.



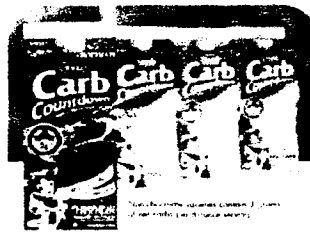
it's the only Atkins-approved dairy beverage.  
**ANNCR:** Carb Countdown from Hood. America's Dairy expert since 1846.



I feel better and look better but sometimes I crave things...like...



**ANNCR:** That's why there's Hood Chocolate Carb Countdown. It's made from milk, but has fewer carbs.



**SUPER ON FAMILY PACKAGE SHOT:** Non-chocolate varieties contain 3 grams of net carbs per 8-ounce serving.



**HOOD LOGO:** America's Dairy Expert Since 1846

## **ATTACHMENT B**



# Carb Countdown Solves the Problem of "Missing Milk"

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## *Consumers Who Are Happy to Have "Milk" Back in Their Diet!*

**Compilation of consumer e-mails created May 28, 2004 regarding consumer reaction to Carb Countdown Dairy Beverages.**

I just bought your low carb milk! I am so excited!! I've been doing Atkins for a yr & 1/2. I miss my milk! I bought the reg & choc! (did I tell you that I'm excited??). My question is do you have any coupons for this particular product? I'm a single mom, on a budget. I would love to be able to continue to buy this! 10/8/03

I have recently started the Atkins nutritional approach. We found your Carb Countdown chocolate dairy beverage at a local Wal-Mart Neighborhood Market. We bought one and it was GREAT...Atkins doesn't allow for much in the way of regular milk products and your product is a godsend for us milk enthusiasts, not to mention the soothing aspect of chocolate milk that doesn't kill your diet. I've looked at other beverages (soy, etc) and none of them offer the reduced carb product you provide. So, you have a fan in Oklahoma. I hope and PRAY you continue to supply this area. Thank you. 10/8/03

I would just like to thank your company so much for making your Carb Countdown products available in my area. I found it tonight at our local Super Wal-Mart in Prattville, Alabama. It is delicious! I have been low-carbing for almost a year; 57 pounds down now :) and still going, and have missed milk tremendously. I would really like to thank you for giving it back to me. I am thankful some companies are hearing our cries for more low-carb products and coming through for us. Thanks again. 10/9/03

I just wanted to drop you a line about your new low carb milk products. We LOVE them and just want to thank you for this great tasting new product. My husband is a dairy freak. When we went on the Atkins diet, there were no good tasting milk products. Now my hubby will be able to stay on the diet and lose weight without being deprived of his big glass of milk. Thanks again and keep developing these great tasting, low carb products. 10/14/03

I was extremely surprised and pleased to see your new line of dairy at WalMart a few days ago. I have been following Dr. Atkin's diet for almost a year now and I really do miss my milk every day. I saw this on the shelf and had to try it. I was in need of a "chocolate fix" and tried your product. I absolutely love it!! I am so very glad to see the splenda in it as well as having the Dr. Atkin's approval. It is delicious and I will be back at WalMart tomorrow to purchase the fat free Carb Countdown. Thank you, thank you, and thank you!!! 10/17/03

My husband and I are both on the Atkins diet. We missed milk and were delighted to see the Carb Countdown milk products in our local Walmart Supercenter. We've only tried the regular flavor (in the red package), but it tastes great! We look forward to the other varieties. Keep up the good work! 10/19/03

One of the things I missed the most when I started Atkins was milk. I tried some of the powdered mixes and tolerated the watered down almost tasteless stuff for months. Then, one day in WalMart, I was getting a gallon of milk for the rest of my family and just happened to look up and saw several cartons of milk that read Carb Countdown. I COULDN'T BELIEVE IT. I grabbed one and read and re-read and re-re-read the nutrition label that said it had only 3 grams of carbs per serving. Then I read the label on the Chocolate Milk carton. I thought I was surely dreaming or something. After I snapped back and realized that it was all real, I put a carton of chocolate and a carton of the regular white in my buggy. When I got home, pouring a half of a glass of each was the first thing I did. First of all I was AMAZED at the thick creaminess of each. And then when I tasted it I thought that there must be some mistake, that someone had mistakenly put the real stuff in these 2 containers. Then I realized that that probably wasn't the case. I am soooooooooooooo satisfied with your product that I just had to let you know. And I will let everyone I know about it and how wonderful the taste is. THANK YOU SO MUCH FOR THIS WONDERFUL PRODUCT. Hopefully, this will be in Winn-Dixie stores soon. 10/20/03

I live in Georgia, and I came across your milk when I was shopping at a Wal Mart store the other day. I tried it and it is absolutely delicious...Thanks so much for coming up with such a wonderful product that tastes so good. FINALLY!!! Yeah!!! I am on the Atkins Diet, well both my husband and myself are, and we are always looking for something that actually tastes good that we can have. I have missed having milk and now I can thanks to you. Keep it coming!!! 10/23/03

Thank you so much for carb countdown! It is wonderful and I missed milk so much. Is there any possibility that you will come up with a low carb ice cream? I already use Le Carb, but it is expensive and I think it can be improved on. I'm in the Dallas area, and am pleased to find you milk in my grocery store (Walmart). Thanks again 10/27/03

I would just like to thank you for your wonderful low carb products. My family and I have been on Atkins for almost six months and we used to drink a lot of milk when we had to stop it was hard. We tried soy milk which was horrible. But when we found your products .. The low carb milk and chocolate milk it was wonderful! Thank you very much for such great products keep'em coming. 10/26/03

Hooray!!! I've been Low-Carbing for the last year and have really missed my milk - that is up until I discovered your Carb Countdown about 3 weeks ago. You've done a wonderful job. I've recommended it to many friends and information about it is spreading via the LC e-mail lists...Again, thanks for making a product that tastes great and is low in carbs!! 11/3/03

To Whom it may concern, I am on the Atkins Diet getting ready for the gastric by-pass in Dec. I live in East Wareham, MA and I went to super Wal-Mart in Raynham MA and found the wonderful product of Carb Countdown!!! I love my milk, and have been devastated that I could not have it. But now I can...I go through about a gallon of milk a week. :) it's soooooo good...Thank you so much for making such a wonderful product.  
11/3/03

Thank you finally for the low carb milk. It's about time that some companies get behind this lifestyle...The milk is great. I have been doing Atkins for two years and literally have not tasted milk for that long. It was a nice treat. 11/1/03

I recently purchased the Carb Countdown Milk product from my local Walmart store. WOW!! Thanks for coming out with a low carb milk product that is excellent. I stopped drinking milk several months ago do to onset adult diabetes( I went low carb in order to help with my diabetes problem). This product has made it possible to resume part of a normal life style that I have missed. Will there be other low carb products aka. Cottage cheese, sour cream etc. in the future? I've told several of my friends who also are on low carb diets about your product. Thanks for the new milk product, its changed my life.  
11/1/03

I just had to write you and say thanks!!!!!! I saw the new product, Carb Countdown, recently and decided to try it. I am on a low carb diet and I guess the hardest part about it is doing without milk. I love milk, I always have and because of that I usually end up dumping my diet for the milk. When I saw your product, needless to say, I was skeptical, I mean I have always heard that if it sounds too good to be true, then it probably is. I couldn't imagine a low carb milk that would taste good, but much to my surprise it was GREAT. I actually like the taste of Carb Countdown better than milk. I can't keep enough on hand. It would really be nice to have in a gallon size. Anyway that's all I wanted to say---THANK YOU SO MUCH for coming up with such a great product. I'm telling everyone all about it. 11/6/03

Thank you isn't enough to say but I can't find the words to express my gratitude that you would take the time to develop the "Carb Countdown" milk. I have missed my milk a lot. Now I can have my milk and be true to my new lifestyle. Thank you again. I have only tried the 2% but the taste is so rich and creamy that I don't need to try the "whole" milk. I will buy the 2% chocolate for my boys. Thank you! Thank you 11/9/03

I just recently bought the carb countdown chocolate milk! Wow, was I pleasantly surprised!! I live in Northern Minnesota and the nearest town to us is Detroit Lakes and it has a Super Walmart. We all know that it gets cold here and I miss hot chocolate on some of those evenings! Thanks to your products I get to enjoy the simple things in life again!! I am on a low carb diet so this find is a treasure! 11/8/03

Ladies and Gentlemen of HP Hood Inc., I just wanted write to thank you and tell you how much I really appreciate your Carb Countdown milk product. We found it last night at our local Wal-Mart Superstore and I had to try it. It is WONDERFUL!! And thanks SO much for not charging enormous amount for it, like many other low-carb niche companies do with their products. My wife and I have had great success on our low-carb diet plans and I really missed my milk. The added protein really helps with my current diet plan too. Now if only you could make a nice chocolate chip cookie to go with it, eh? But, seriously do you make any other low-carb products like ice cream, eggnog, etc.? If you were a publicly traded company I would surely invest in your great company because I think you guys/gals are on to something!!! Keep up the great work! A newly dedicated customer. 11/7/03

Just wanted to take a minute to say "THANK YOU" for the Carb Countdown products. I am a type 2 diabetic. Limiting carbs is very important to controlling my blood sugar. One of the things that had "left" my diet was milk, which I love, simply because it added unneeded carbs. I avoided cereal for breakfast because the combination of the carbs in any sort of cereal plus the milk was just too much for me. And I don't remember when I felt like I could have a glass of chocolate milk. Your products put milk back into my glass! 11/15/03

I am so impressed with your Carb Countdown product words can not describe. I was raised on a small dairy in Utah and grew up on raw milk. Three months ago my wife and I started a low carb way of life and I thought my milk days were behind me forever but we found you guys we love your Product thank you so much. So when are you going to come out with a low carb eggnog? 11/14/03

I don't usually write about products but I felt compelled to do so in this case. I am trying to decrease my daily intake of carbohydrates but was missing not having milk. I saw your low carb dairy product at a Super Wal-Mart in Ponca City, Oklahoma and decided to try it. I have not been happy with a lot of the low carb products but I was very surprised in this case. I absolutely love the taste and it is so good to have something to use with low carb cereal and just for drinking. Thank you so much for making such a good product. 11/18/03

I was a milk drinker all my life and in 1975 I went on the Atkins Diet and although I have become a heavy cream devotee, gone was the milk. I lost 87 pounds and kept it off on Atkins maintenance until the mid 90's when I gained about 60 pounds. Well, I went back on the Atkins Diet and the 60 pounds are now gone. However, I still miss the milk, especially chocolate milk. Your Carb Countdown products are absolutely terrific! I couldn't believe my eyes when I saw your product in the dairy case. They provide a chance to actually drink a glass of milk without worrying about going back to Atkins Level 1. Thanks. I knew someone would someday figure it out...Now, with the holidays coming, have you been working on a Carb Countdown EggNog? If not, get cracking! If you can do milk and chocolate milk, Egg Nog should be a breeze. 11/19/03

Thank you Thank you Thank you for your new Carb Countdown products. I started Atkins' diet four months ago and haven't had any milk since then...until this weekend when I discovered your product at our local Wal-Mart Supercenter. It's GREAT!!!!!!!!!!!!!! I can't tell you how great it is to sit down to a good glass of milk again. Thank you. 11/19/03

Thank you so much for creating a low sugar/low carb milk!! My daughter, who is 12, is insulin resistant, as I was at one time. She loves to eat cheerios and other whole grain cereals, but milk has too much sugar. Now we can both finally enjoy cereal, sugar free hot chocolate w/MILK, and other things thanks to your product! I hope it becomes a top seller so it will be on the market permanently! It's delicious too! 11/19/03

I have just purchased your new low carb milk and I find that it tastes great. I have not had milk in months and when I saw yours in the store I was ecstatic. I am grateful that your company has recognized how many people are on low carb diets. 11/19/03

I just found your Carb Counter milk and I am so happy! I am LI and also had Bariatric surgery this year. I need the protein but not the carbs, so I couldn't drink milk. Thank you so much! Will you be coming out with Carb Counter ice cream? 11/24/03

Thanks so much for producing one of my favorite new products, Carb Countdown Milk. As a dedicated low carber, I have avoided milk for months, and am now able to add it back into my daily eating plan 11/24/03

It is not often that I write into to companies to thank them for a new product, but after tasting your new Carb Countdown Chocolate Milk I had to take the time. I have been on a low carb diet for about 5 months now and it has been very successful for me. So far I have lost about 51 pounds and I am feeling great. The biggest thing that I missed in my new way of eating was not being able to drink milk. I have always been a big milk drinker and it was hard for me to pass it up. Then my wife found your Carb Countdown Chocolate Milk! It is great! Thanks so much for this wonderful product. 11/24/03

I started Atkins diet 2 ½ months ago. I have lost 17 lbs and am enjoying not having to look at my love handles anymore. Before going on the Atkins diet I loved drinking milk ( Ice cold) and thought I would never enjoy the great taste again but thanks to your company I can now stay on a low carb intake and start drinking milk again. I'm very glad company's like Hood and other are starting to understand the needs of many low carb dieters and with your help I can stay fit for years to come. 11/24/03

As one of the 25 million low carbers out there, thanks so very much for your Carb Countdown milks. They are absolutely wonderful. It is great to be able to add milk back into my "lifestyle." I've found that cooking with it is great. I can have pudding again (sugarfree, of course). Thanks again, and keep the great low carb products coming 11/24/03

Hi, I just wanted to take a minute to tell you how great I think your Carb Countdown Dairy Beverage is. I have been doing Atkins for two years and the one thing missing was milk. There are low carb breakfast cereals but the low carb powdered milk mixes are not very good even when mixed with cream or half and half. I was very happy to drink a glass of milk for the first time in two years. You have created a product that fills a void for people on a low carb diet. 11/30/03

Hello, I just want to say thank you from the bottom of my stomach for your new low carb dairy beverages. I can now have pudding and cereal and a host of other things that I was limited in having on my low carb diet. The chocolate product is so rich and creamy as is the white dairy product. I just had to tell you that you opened a whole new facet of my dieting. The cost is quite high but worth having a dairy product to drink in my home for the first time since June. I buy the product at the Price Chopper Super Market in Brunswick, N.Y. Thanks again, 12/3/03

I would like to let you know that I bought my first 1/2 gal. of Carb Countdown milk today, and it is delicious. I am currently on a low carb diet due to recent diagnosed diabetes, and have been missing drinking milk in the mornings. This milk with low carbs, is good and fits into my meal program. Thank you for this milk. I bought it at WalMart grocery today, and hope they will continue to stock it. 12/5/03

Just wanted to thank you for making the low carb milk. I am diabetic so normally milk is out of the question for me, but the lowcarb countdown has very little effect on my blood sugar. That means I can enjoy milk once again. 12/15/03

I tried the Carb Countdown milk - AWESOME!!! The flavor and texture were fantastic. I have been low-carbing for 6 months and making protein shakes with water was just not a taste sensation. Now I can enjoy them much more. My husband is a diabetic and loves chocolate milk. He has not been able to have any for over 3 years - he tasted the chocolate flavor and has been buying a half gallon a week ever since. Thank you so much for taking the time and effort to research and develop this product. I guarantee my family will be purchasing it on a regular basis. 12/16/03

Our family would like to express many thanks for offering Carb Countdown to our market here in Oklahoma. I can't say enough about how great all the Carb Countdown products are! It has been a great addition to our low carb lifestyle. We love the chocolate for those times we want something a little sweet. I have found many ways to use the regular 2% in many previous fattening recipes calling for cream. Carb Countdown has helped us maintain our lifestyle without giving up the dairy products we love the most. We encourage the development of other flavors, perhaps strawberry and vanilla. I feel good about serving this wholesome product to our whole family. Thank you. A Very Happy Consumer. 12/16/03

I bought your Carb Countdown (Chocolate and Plain Milk flavor) at a Wal-Mart Supercenter today and wanted to thank ya'll for making the best "milk" I ever tasted. I've really missed milk since starting Atkins. 12/17/03

It's about time that someone finally makes milk with a lower Carb count. We just tried Carb Countdown and think that it's a great product (2%) We are looking for the 2% Chocolate milk. Thanks for returning milk to our daily diet! 12/22/03

I just wanted to let you know how much I have enjoyed your new product, Carb Countdown. I LOVE this stuff!! As a low-carber, I've really missed milk. Stumbled on to this product at WalMart and thought I'd give it a try. WOW. It has really sparked my meal planning. I had delicious, guilt-free hot cocoa this morning by heating a cup of the chocolate flavor in the microwave. Yum. 12/23/03

Just discovered your Carb Countdown dairy drinks in our local Wal-mart (Red Wing, Minnesota). They are wonderful!!! One thing my husband had missed a lot while on Atkins was a drink of milk. I have missed chocolate milk doing Atkins, too. Your products are sensational !! The chocolate milk is like a milkshake, another treat for both of us...When will you come out with other low-carb dairy products? 12/26/03

I am diabetic and watch carefully the carbs I consume, so I just want to thank you for this wonderful new product! I haven't been able to have chocolate milk for several years since diagnosis, and your product Carb Countdown/ chocolate is the best tasting drink I've been able to find. I can have a glass and not feel at all deprived. Thanks again and keep up the good work. 12/27/03

I just wanted to let you know how impressed I was with the Carb Countdown chocolate milk. My husband and I have been doing the low carb. diet for 4 months now. We have been missing our milk. We tried your product from the Wal-Mart in Masville Kentucky. I hope that your product will be in more of our local stores soon. We live in Cincinnati Ohio. I just wanted to express how pleased I was with your product. Could you let me know if you will be having anymore new low carb. items coming out? 12/28/03

We love your Carb Countdown dairy product! Thanks so much for investing in the development and distribution. We have been on Atkins for about a year now and finally having a delicious milk product that fits our lifestyle has been wonderful. Please keep up the good work! 12/28/03

Dear Sirs...I can't thank you enough for the wonderful product I found at Winn Dixie grocery store today...I have been on the Atkins plan for about two years now and there are some things I really miss...and milk and chocolate milk are one of the things I really miss...and your product is wonderful...actually I bought the regular milk and the chocolate today and am thrilled with both of them...I can eat cereal...low carb of course...but it really taste like the real thing....if I could remember what real milk taste like...anyway thank you for being there and making products to change with the times...you guys are great...thanks again... 12/30/03

I am a diabetic and with this product I will be able to have milk again. I live in Sacramento, CA and have not seen your product in the supermarkets. can you tell me when and who will be carrying your product in Sacramento . 1/1/04

I want to thank the genius(es) in your company for your Carb Countdown milk. As a hypoglycemic (I must restrict my consumption of carbs), one of the hardest things to give up was milk. Your product is a miracle! It tastes just like regular milk and the cost is comparable. I hope it will be stocked in Kroger when you release it to other retailers, but until then I will go out of my way to buy it at the Wal-Mart supercenter. 1/4/04

Thank you for introducing your Carb Countdown product in the New York area. I found it at D'Agostino's on Columbus Avenue (at 91st Street) just last week. I have recently been advised by my doctor my carbohydrates intake and have found it very difficult to replace milk in my diet. Having previously lived in Massachusetts for over 10 years, I was thrilled to find not just a low carb milk, but also a Hood product at my local supermarket...My diet depends on you. Thanks again for your quality products and, in particular, helping solve the carb problem for milk-lovers. Best regards. 1/5/04

Last week I found "Carb Countdown" milk at my neighborhood Safeway. I have to admit I was a bit leery, since I'd tried other "milk" products that just didn't cut it. I've been on the low-carb diet for six months, and really have missed my glass of milk with my meals. So I was ecstatic that when I tasted Carb Countdown, it actually tasted like milk! 1/5/04

I just wanted to thank you for the low carb milk! It is out of this world! I just found it at our Super WalMart and bought the chocolate and the 2%. Finally I can do a low carb diet and still have some milk! In fact, we are going to try the chocolate milk with some low carb ice cream for a milkshake! Please continue to experiment with low carb products! There is a high demand for them! I am going to tell everyone I know about your milk! Thanks again for an outstanding product! 1/7/04

To the brilliant people at HP Hood: Your low carb milk is DELICIOUS!!! I am a milk lover and have lamented the elimination of milk from my low carb diet. So I was pleasantly surprised to see your product in the local grocery store yesterday. To be honest, I did not expect the milk to taste soooooo good but I love it. I bought the whole milk and now I am going to try the skim and chocolate. Keep the good low carb products coming. Thank you. Thank you. Thank you 1/7/04

Just wanted thank you for the low carb milk. I am diabetic and I had to cut my milk consumption down, but now, I can drink a whole glass full and not have to worry about my blood sugars. All the new low carb merchandise is a god-send to all of us diabetics. Too bad someone didn't think about helping us out before the Atkins diet. 1/8/04

One of the few things I crave while on the Atkins program is chocolate milk. I tried unsweetened soy milk and it was terrible! Then, I discovered your Carb Countdown milk at my local Giant. I love it!! 1/8/04

I just have to tell you how great this product is. I am on a low carb diet (again). One of the reasons I had to go off of it, the last time was because I missed milk so much. This product fills that need. Are you planning on an ice cream product? It seems like that would be a natural follow up to the Carb Countdown. 1/9/04

I just wanted to tell you how excited I am by your new "Carb Countdown" milk. After many overweight years I finally found a diet that works well for me and that I can remain on indefinitely without the need to cheat. I missed drinking milk very much and I was thrilled to see your new product in Local stores. It is wonderful! I drink decaffeinated chai tea many mornings and I prefer making it entirely with milk instead of water and cream. And now that its cold (FREEZING actually) outside, I'm enjoying hot milk in soup, in low carb cereal, and anything else I can think of. I understand that you'll be coming out with a low carb yogurt soon. All my dreams are coming true! 1/9/04



Thank you so much for bringing a fantastic tasting low-carb milk to the market. My biggest obstacle in my low carb diet was avoiding milk. I recommend your products to everyone I talk with. Please keep up the good work and keep this product on the shelves! 1/11/04

I just wanted to thank you for making the low carb dairy beverage. I began the Atkins plan in September and although you may have alot of food, milk wasn't on the list of low carb choices. I missed milk! I was thrilled when I found this at my Super Walmart! I thought it might not taste great but I need to put something on my Atkins Cereal! It was absolutely delicious. 1/12/04

I'd also like to say how great this product is! Not being able to have milk is a HUGE issue for those on a low carb diet! This product is the best milk replacement I've ever tried. Thank you for the product, and thanks for the quick reply! 1/13/04

My husband and I are SO impressed with your low carb milk! It has allowed us to finally put the milk that we love back into our diets! I do wish that it was a little less expensive however, and I'm wondering if there is any chance that your company could send us some coupons to use toward future purchases? It would be greatly appreciated. Thanks for making such a great product! 1/16/04

I am 9 years old and I was diagnosed with Type 1 diabetes about two years ago. I have to limit my carb intake due to my diet. I had to do without milk at many meals or have less than I wanted. I was shopping with my mom in Wal-Mart one day and we found Carb Countdown. I love it. I can have a whole serving of cereal now and not have to worry about regular milk having 12 g. of carbs. Carb Countdown has been a blessing. Thank you very much. If there are ever any coupons available or any other products that are low in carbohydrates I would like to know. 1/16/04

Low carb milk, and chocolate milk? Excellent, excellent idea!! I love it, they taste just like the milk that I've been missing for way too long!! Thank you, thank you, thank you!!!! 1/17/04

God bless you!!! I went on the atkins diet last year and did really well, losing 28 pounds. However, after 6 months or so i got bored and eventually gained back 20 pounds! Well, i can't stand the extra weight so i'm back on again. This time though i feel i can stay with it because i can have a tall, cold, super-chocolate, frothy, heavenly, ultra-satisfying glass of chocolate milk.. Or two or even three, if i want to make a meal of it! I've told everybody i know about your low-carb milks!! I just wanted you to know how much i love this stuff!!! I've never written any company about any product before in my life. I'm more than impressed. I'm addicted! Keep up the great work and don't ever try to "improve" this product; it couldn't get any better- seriously. Thank you, thank you, thank you 1/24/04

I am writing to say THANK YOU for coming out with low carb ATKINS friendly milk. Atkins is the only diet plan that works for me, and I missed milk more than any other food (I used to drink several glasses a day). I just found this product at the store this yesterday, and I will buy it all the time now. It tastes great and will help me to stay on track with my diet and continue to lose weight to become more healthy. 1/24/04

I just tried your new product today. I loved the chocolate milk and the white milk. I have been eating low carb since July and have craved milk. This is the best tasting and you have sold me on this product. The chocolate milk is so thick and creamy. It tastes too good to be low carb!! The white milk is also very good. I used it on my low carb granola cereal. I felt like I was in heaven when I tried this new milk. I plan to use this all the time. Thanks for thinking of people like myself who are trying to watch their carb intake. 1/26/04

Congratulations on your low-carb line: I have been successfully doing Atkins for months, but I really missed milk once in a while, and now, thanks to you, I can have it. I have also been missing hot cocoa. There are a few instant versions, such as the one Keto makes, but frankly, they stink. I am in New Jersey, under the snow for weeks now, in the bitter cold, like you, and I have been really yearning for a cup of hot cocoa. This evening I heated one cup of your chocolate milk, just about to boiling. I topped it with fresh whipped cream, which I had sweetened with Splenda, which is allowed on the Atkins plan...it was fantastic. Keep up the good work, and dare we hope for an Egg Nog variety next Christmas? 2/1/04

You-all did it!!! Thank you Thank you Thank you for bringing back a glass of milk I can have while watching my CARBS! I was afraid to try it because I thought it might be too good to be true, but guess what Dorothy? it is True!!!! You truly are the Great and Powerful Wizard!!!! Now I am afraid to tell my friends about it because the local store might run out! 2/2/04

Awesome job folks at HP Hood, I use this continuously. I had stopped using milk years ago,,,as I subscribed to the low carb way of life...I made homemade cooked eggnog with full fat carb countdown, at Christmas and new years, and still the relatives are asking if I have made anymore. 2/7/04

Thanks for such a great product! My husband and I have started eating the Atkins way over the last 3 weeks and really missed milk. I was so excited to see Carb Countdown in my grocery store. It's delicious! We've since found the chocolate, as well, and it's equally yummy! Thanks again for making such a great product. 2/7/04

I'm hoping that you folks are receiving lots of positive feedback for your Carb Countdown products! I've been enjoying the "white" milk products for about a month, and just today bought some of the chocolate milk. It's delicious. Actually, I've never smoked, but imagined THIS is what it must feel like when people who haven't had a cigarette for months sneak one. Now that I've compared enjoying your chocolate milk to getting a nicotine fix, let me simply say that it was incredibly good. I don't know how you all did this ("proprietary process"), but I'm incredibly grateful that you found a way to let so many people watching their carbs and sugars enjoy milk and especially chocolate milk again! I'm also pleased to see your products not just in the large Super Wal-Mart in Indiana, PA but also in the smaller local grocery stores where I live (in Kittanning, PA). Thanks again and I wish you all much success with your products! 2/8/04

Thank you for marketing a great product. the Carb Countdown beverage is a welcome addition to my morning, I use it in my coffee and cereal. I have been on the Atkins diet for four months now and I welcome back the taste of milk. I also blend it with heavy cream and add that mixture to a lo carb ice cream for a great milkshake. keep up the good work  
2/9/04

Question. Just comment-WHATEVER YOU DID TO MAKE THE NO CARB ATKINS MILK IS FANTASTIC! I can not thank you enough! I missed milk and that chocolate milk is TO DIE FOR! BRAVO!!! 2/10/04

I just finished my first carton of Carb Countdown Homogenized and I must say that I was very skeptical when I made the purchase. I have been on the Atkins diet for two months and although I have been very successful losing weight , I longed for a nice cold glass of milk. The very first glass of Carb Countdown that I tried was delicious. I must say that I was surprised and delighted. I am very happy that I discovered your fine product and I think I will try the chocolate drink next. I would like to receive some discount coupons .  
2/13/04

Thanks for coming to market with Carb Countdown, I bought it to make my sugar free pudding, discovered that it tastes good enough to drink straight. It fills a void that I really missed for the past several years! 2/15/04

THANK YOU, THANK YOU, THANK YOU!!!!!!

I have been on the Atkins diet since October 2003 and have missed the taste of milk. I just happened to be shopping at my local Giant store and there it was, sitting next to the regular chocolate milk. You have no idea how happy you have made me! My first thought was....."wonder if it tastes any good?" YES IT DOES! I find it hysterically funny that the chocolate milk is lower in carbs than the white milk. Doesn't bother me in the slightest. I LOVE chocolate milk. Thank you for bringing back this sweet part of my past!  
2/18/04

Hello: A word of praise. What a wonderful product!! Low in carbs, cholesterol, and sweetened with the best sweetener in the market. My husband has diabetes and high cholesterol, so we're looking at ingredients on labels. He was getting tired of soy milk, and I found these products in our Wisconsin dairy case. You've outdone us here in the dairy state. So, thanks for good ole milk. It's good to drink it again. 2/21/04

hi-I just wanted to thank you for this wonderful product. I love dairy. The Atkins diet was hard to stay on because I couldn't have milk or yogurt. I've tried them both and I just love them!!! Thank you for supporting carb-counters like me and helping me to maintain a less sugar lifestyle!!! 2/26/04

I am really loving the Carb Countdown milk products. I am a confessed milkaholic trying to lose weight. Your carb minded, protein rich product is the first to TASTE great. Thick and creamy just like milk I love. It has made a great difference in my life... THANK YOU and MOO 2/27/04

I just wanted to take the time to say "THANK YOU!!" for producing Carb Countdown milk products. I have been a lifelong milk lover, however I was forced to give it up about 6 years ago after developing Type II Diabetes, which I am fortunately able to control via diet and exercise. Obviously, a Type II Diabetic practices a modified Atkins-type diet with one important difference. The difference is that we will still be carefully counting carbohydrates when the diet faddists have all backslid into their pre-Atkins eating regimes. Your product is not only delicious, but it opens a fantastic array of new and exciting cooking and eating opportunities for us. So, when the Atkins fad diminishes (which it surely will), I ask you to remember that the Type II Diabetic consumer base is significant, and it is of necessity, much less fickle than any diet-fad consumer base will ever be. Please keep marketing to us! 2/28/04

Just wanted to thank you for a very fine product. Your company has been a life saver for me. I've been trying to lose weight for many years, This is the first time in my life I have been able to lose weight, using the Atkins diet and your low carb milk. (I am down 40+ lbs so far) I have always loved milk and didn't ever want to give it up. With your product I can have my cake and eat it too! When are you going to come out with a low carb ice cream? Thanks again for your great product! 2/28/04

I don't have a question, just a comment. Thank you so much for Hood's Carb Countdown! I am a choc-a-holic and missed chocolate milk greatly on the Atkins plan. Carb Countdown is a blessing! It tastes great and has no funky aftertaste. Now, please make a great low-carb ice cream! Great Job! 3/3/04

I wanted to THANK your company for coming out with the milk. We have been on Atkins since last July. My husband is also called a 'calf', because of all the milk he drinks. That was one part of the Plan that was hard for him, cutting his milk in-take. Then one day we were shopping at Wal-Mart, and I happened to see your milk. Well, since then we have been buying ever since. In our fridge on the average week (there are only 2 of us, in our late 40's) 5 cartons of the Chocolate milk, and 5 cartons of the 2%. 3/3/04

Recently I purchased your Carb Countdown 2% milk. I will have to say I was very surprised! This milk is absolutely awesome. I'm a big milk drinker. Milk & Atkins doesn't go together and soy milk isn't very good but this milk is very good. Thanks. 3/4/04

I have been on the Atkins plan for 4 months and the only reason I have been able to stay on the plan is by using your milk products. I am a big milk drinker and not being able to have milk did not appeal to me. Thanks to you and Carb Countdown I am able to enjoy chocolate and regular milk the way I had before. If you have any promotional offers or coupons available, I would greatly appreciate receiving any special offers. 3/4/04

I absolutely LOVE your new Carb Countdown! What a treat! I've been a low carb-er for years because of health problems, and the one thing I've really missed over the years is milk! THANK YOU for coming up with such a great product! I wouldn't mind seeing the Carb Countdown in individual sized servings to pack with a lunch or something like that! Also, as good as your milk substitute is, I'll just bet you could come up with some other low carb treats like ice cream and cottage cheese. 3/5/04

Thank you so very much for this product. My husband and I have been doing the Atkins diet since last October and when our neighborhood Raley's market started stocking this product, we were elated. We are die-hard milk drinkers and really felt the loss of not being able to drink milk. This product tastes wonderful and creamy, much more so than regular fat-free milk. And we love the chocolate milk, as well. Once again, thank you for an excellent product!!! 3/10/04

I just wanted to say THANK YOU for coming out with a low carb milk. When I had to go on this high protein, low carb diet several years ago, I had to give up milk. I had always been a big milk drinker (1-2 gallons/week). I have not drunk milk in any quantity for about 6 years now and I found out a month ago that I have osteopenia (next step - osteoporosis) and I'm not even 50 years old! I happened across your low carb milk one day while buying half and half in the dairy case. I was hesitant to try it because some things low carb taste nasty. I was PLEASANTLY surprised. My husband even drinks it now. It is so nice to be able to drink milk again. The chocolate tastes the best. The regular is great for cooking and puddings, too. 3/14/04

This letter is to thank you for making the low carb products. I was very impressed with your milk, being a milk drinker and on Atkins I had to give up milk. I can now enjoy it once again. Recently the Wal-Mart where I shop also started stocking the yogurt. I love it as well. Thanks to you I can now enjoy yogurt again as well. Just wanted you to know how I felt and have shared this with several of my friends, who are now buying your products as well. 4/8/04

I found your Carb Countdown chocolate drink in the Sam's Club in Columbia, SC. It's the first I've seen of any of your products, and it is great! I've been on a low carb diet, and I really miss dairy products, so yours fits the bill. I hope to find the other Carb Countdown products soon. Just thought you'd like to know. 4/10/04

I just felt the need to write to you and tell you what an awesome product you have created! We have been low carb dieters for several years and have missed having a good milk product. Your Carb Countdown is wonderful. And if that were not enough, you were kind enough to make a fat free version. What more could anyone ask for. Please accept our thanks for a wonderful product. You will have us for customers for a lifetime! 4/20/04

I just wanted to say thank you for these two products. I found them in my local Shop Rite in Williamstown & Berlin, New Jersey. I was so excited about these two products. Since I've been on the low carb diet I've had to give up milk and yogurt. I love both of these. I now use only your carb countdown and your yogurt products. Thank you for marketing in New Jersey and for making these products available to us. I'm telling all my low carb family and friends about it. 4/20/04

I just had to write and tell you the Low Carb Milk is delicious. That is the one thing I really missed on Atkins and now it makes the diet so much easier for me. Please thank the team that developed the tasty treat. 4/23/04

Guys ~ I bought your low fat and chocolate half gallons yesterday at my Safeway here in Washington state and I have to say you guys have nailed it! These drinks are absolutely great!! No more having to live on diet sodas & water. It is wonderful to have an alternative and I have to congratulate you on making them YUMMY. I have lost 40 lbs. by restricting carbs and you will now have me as a customer for life. Thank you for the great products. 4/26/04

I just wanted to thank your company for saving my life. I am a chocolate lover and had to quit chocolate and milk in 1997 due to diabetes. Now, I can enjoy a glass of chocolate milk each and every day while taking my meds. I learned about your product from some friends about four weeks ago. I shop at Wal Mart and please thank Wal Mart for me.... Please thank your cows too.... 4/27/04

Have bought the chocolate milk and have ready enjoyed the taste and flavor. Have been on the Atkins Diet and miss having a good tasting milk. Thank you for the great product and keep up the good work. 4/27/04

I just wanted to let you know that your Carb Countdown milk is WONDERFUL!!! Since finding it at WalMart a couple of weeks ago, we have tried the 2%, the fat-free and the chocolate. All three have been outstanding. Since starting the Atkins way of life several months ago, one of the things I never stopped wanting was my milk. Now you have made it possible for us to have it again. My husband is diabetic and he is very excited about the chocolate milk. Thanks for making life a little more enjoyable for us! 4/29/04

I've just recently discovered your wonderful Carb Countdown line of dairy beverages. I can't believe it's so good tasting, yet low in carbs. As a diabetic, I've learned that I have to give up a lot of things that I used to love. Now I've got a couple of them back (white and chocolate milk). It gives me a good tasting snack or drink with meals with protein and very low carbs that I can easily fit into my diet without sending my blood sugars through the roof. I think you should market it not just to Atkins' carb watchers, but the diabetic community as well. Thanks again for this product, and PLEASE keep it going! 4/29/04

I wanted to tell you how much I like the Carb Countdown milk.. it is DELICIOUS.. better than regular milk. Thank you. It is so great to be able to have milk again. 4/30/04

I don't have a question - I just want to say Thank you, Thank you, Thank you Hood for your Carb Countdown products. I had tried the milk and loved it - finally I can have cereal again (using low carb cereal) I just had the yogurt for the first time today and I love that too. Please never stop making these products. Now how about some really good tasting low carb Ice cream with no Sugar alcohols. 5/7/04

Just wanted to thank you for the Carb Countdown milks. I tried the whole milk last week and picked up the 2% and the chocolate this week (and didn't buy regular milk at all). I love milk and hated to have to drink less because of the carbs. Thanks for solving that problem. I buy my Carb Countdown at Publix in zip code 32714 if you needed to know. If there is any place I can find coupons for Carb Countdown please let me know. Thanks again. 5/12/04

This stuff is great!!!! After being on carb control diets and not allowed milk this is heavenly. I just wish you had it in pints so I could take some to work. Please put it in a pint size...Thanks for a great product and I just saw the commercial for the first time during the today show. 5/19/04

I just wanted to take a minute to write and tell you how much I LOVE your Chocolate Dairy Beverage. I'm a huge chocolate milk fan and when I recently switched to a low-carb lifestyle, I thought I would have to go without. Your chocolate Dairy Beverage actually tastes BETTER than chocolate milk!! Thanks for making such a wonderful, healthy product! I look forward to trying some of your other products that I have just seen on your website and I will tell all my friends! 5/20/04

I love your milk products especially the chocolate milk. I always loved chocolate milk but then found out I had a sugar problem and had to stop drinking it. but then I found your chocolate milk and was so happy it taste better. Will you ever come out with coupons for your products. hope so I just hope it will be around for a long time thanks. 5/23/04

Hi. I just wanted to say that I love your Carb Countdown milk. I really dreaded switching to a low carb way of eating because I didn't want to give up milk, especially chocolate. So I say thank you SO much. 5/28/04

I have been using your Hood Carb Countdown. It's great. I am a diabetic and the drop in Carbs make me enjoy milk again. Thanks. 5/28/04

## ATTACHMENT C





United States  
Department of  
Agriculture

Agricultural  
Marketing  
Service

1400 Independence Avenue, SW  
Washington, DC  
20250-0225

#4

April 2, 2004

TO: All Market Administrators

FROM: Richard M. McKee  
Deputy Administrator  
Dairy Programs *Richard M McKee*

SUBJECT: Administrative Guidelines Regarding the Calculation of Nonfat Milk Solids  
Contained in Fluid Milk Products

This memorandum supercedes all previous guidelines relating to the application of the 6.5 percent nonfat milk solids standard contained in the Class I fluid milk product definition. Specifically, clarification is provided for determining the milk derived ingredients that should be included in calculating the total nonfat milk solids content of fluid milk products. This guideline addresses the need for uniformity in the application of the fluid milk product definition in future classification determinations.

The Federal order reform final decision published April 2, 1999 (64 FR 16122), adopted a fluid milk product definition that includes any milk product in fluid or frozen form containing less than 9 percent butterfat and more than 6.5 percent nonfat milk solids that are intended to be used as beverages. The definition states "such products include but are not limited to milk, skim milk, lowfat milk, milk drinks, eggnog, and cultured buttermilk, including any such beverage products that are flavored, cultured, modified with added nonfat milk solids, sterilized, concentrated, or reconstituted." Accordingly, in determining the level of nonfat milk solids in a beverage-type product, milk derivatives such as--but not limited to--dried milk protein concentrate (MPC), liquid MPC, milk protein isolate, protein serum, whey protein concentrate, lactose, casein, and calcium caseinate should be included.

## **ATTACHMENT D**



May 24, 2005

Ms. Dana Coale  
Deputy Administrator  
USDA/AMS/Dairy Programs  
Mail Stop-0225, Room 2968  
1400 Independence Avenue, S.W.  
Washington, DC 20250-0225

**Re: USDA Class I Hearing, June 20, 2005, Pittsburgh, PA  
Revisions to HP Hood Proposal (USDA Proposal No. 5)**

Dear Ms. Coale:

HP Hood is pleased that USDA has elected to include HP Hood's proposals in your notice of hearing on the Class I definition to be held June 20, 2005. Since the hearing notice was published, we have undertaken a further review of our first proposal, proposal no. 5 in your hearing notice, and have discussed that proposal with a number of parties. In light of that review and those discussions, we are proposing some amendments to the proposal for consideration at the hearing. A copy of our proposed wording for the revised proposal is enclosed with this letter.

I note a number of points about the changes we are proposing:

- (1) We repositioned our proposed addition to subsection (b) as a new subsection (c). Upon further review, we believe the proposal is a better fit as a separate subsection than as an addition to the current subsection (b).
- (2) We added the word "prior" before "written determination" in proposed subsection (c). The intent is to reinforce our view that for products with less than 6.5 percent milk solids nonfat, the default classification should be Class II, not Class I, and that the Class II classification remains in place until *after* USDA makes a written determination. This will help encourage USDA to make timely determinations on the classification for new products, and it will avoid the current practice of retroactive Class I classification of new products that do not clearly meet "fluid milk product" standards.
- (3) We have omitted our proposal to require the Secretary to make a finding that fluid milk treatment will enhance producer revenues under the order (subsection (b)(2)(ii) of the published proposal). Upon further consideration, we believe that this factor is unnecessary. If there is no direct competition, than producer revenues will not be adversely impacted by Class II treatment for the product; if there is direct competition, producer revenues will be adversely impacted. That should be enough of a consideration for justifying differential treatment.



(4) We have been asked by a number of parties, including USDA, to clarify the standards that USDA should use in making a determination that a product with less than 6.5 percent nonfat milk solids "directly competes with other fluid milk products." We have considered this request, and our revised proposal includes a list of criteria USDA should consider in making that determination. We believe that a product containing less than 6.5% nonfat milk solids should not be classified as a Class I fluid milk product unless it is likely to take market share away from conventional milk products. We believe that the factors that USDA should consider in making that determination include:

- a. Whether the product meets the FDA's standard of identity for milk. (We note that the State of California currently treats all products that do not meet the FDA's standard of identity for milk as Class II products.)
- b. Whether the price of the product to consumers at the retail level is comparable to or less than the retail prices for conventional milk and thereby encourages substitution. (Prices substantially in excess of the price of conventional fluid milk indicate that the product is unlikely to be viewed as a substitute for such milk.)
- c. Whether the product is promoted and advertised to consumers in a manner intended to create product substitution by consumers. (If the product's promotions and advertisements are targeted at convincing consumers (i) to substitute the product for other, non-milk beverage products, or (ii) to return to the category if they have previously left it, or to remain with the category if they are considering leaving it, for dietary or other health reasons, e.g., diabetes, that fact would weigh against Class I treatment.)
- d. Whether the product is packaged and displayed to consumers in a manner substantially similar to conventional milk products. (If the packaging and retail display of the product differs from conventional fluid milk products, Class I treatment is not appropriate.)
- e. Whether there is significant consumer feedback which indicates that consumers are substituting the product for conventional milk products. (If consumers are reporting, through surveys or other methods of communication, that they are buying the product in lieu of other, non-milk beverage products or that they are switching to the product rather than leaving the dairy category altogether for dietary or other health reasons, Class I treatment is not appropriate.)

We further believe that no one single factor alone should drive the determination of an appropriate classification but that USDA should consider each of them in reaching a determination as to whether there is "substantial evidence" that the product "directly competes" with other fluid milk products.

(5) Finally, in order to encourage dairy processors and others to develop new products, we believe that USDA should be precluded from making a reclassification from Class II to Class I until the market share of the product is sufficiently large enough to merit full Class I price regulation. Thus, we are proposing that notwithstanding the other criteria in the proposal, no reclassification will occur unless and until the product has distribution in excess of three million pounds per month in any single federal milk marketing area, or in



excess of nine million pounds per month in three or more such areas. The three million pound threshold for competitive impact is, not coincidentally, the same volume as selected by USDA for full regulation of producer-handlers. This threshold will allow processors to develop and test-market new milk-based products, with inevitable great expense, without the initial classification disincentive.

We believe the above revisions improve the proposal and add helpful clarity and certainty to the process. We look forward to discussing them with the Department at the upcoming hearing.

Sincerely,

A handwritten signature in dark ink, appearing to read "P.C. Nightingale", with a long horizontal flourish extending to the right.

Paul C. Nightingale  
Vice President and General Counsel

Encs.

Cc: Mike Suever  
John H. Vetne, Esq.

## USDA HEARING ON CLASS I DEFINITION

June 20, 2005, Pittsburgh, Pennsylvania

### HP HOOD LLC'S PROPOSED REVISIONS TO PROPOSAL NO. 5

HP Hood hereby proposes to revise its first proposal (Proposal No. 5) for the Class I definition hearing to read as follows:

Amend § 1000.15 by adding a new paragraph (c), to read as follows (proposed new language in italics):

#### **§ 1000.15 Fluid milk product.**

\* \* \* \* \*

(b) The term fluid milk product shall not include:

(1) \*\*\*\*

(2) The quantity of skim milk equivalent in any modified product specified in paragraph (a) of this section that is greater than an equal volume of an unmodified product of the same nature and butterfat content.

*(c) Any product that would otherwise be excluded from the fluid milk product definition because it contains by weight less than 6.5 percent nonfat milk solids will nonetheless be deemed a fluid milk product if the Department makes a prior written determination, based on substantial evidence, that the product directly competes with other fluid milk products. In making any determination of direct competition, the following factors shall weigh in favor of treatment of a particular product as Class I, provided however, no single factor alone shall be sufficient to warrant Class I treatment. The Secretary shall explain in his or her written determination for a particular product which of these factors, or which of any other factors the Secretary may by formal rule establish, he or she determines are dispositive of the determination regarding appropriate Class treatment for the product:*

- (1) Whether the product is eligible to use the term "milk" in its product name under FDA standards of identity;*
- (2) Whether the price of the product to consumers at the retail level is comparable to or below retail prices for conventional milk products and thereby encourages product substitution;*
- (3) Whether the product is promoted and advertised in a manner intended to create product substitution by consumers;*
- (4) Whether the product is packaged and displayed to consumers in a manner substantially similar to conventional milk products; and*
- (5) Whether there is significant consumer feedback that indicates consumers are substituting the product for conventional milk products.*

*Notwithstanding the above, the Secretary shall not reclassify any product which contains by weight less than 6.5 percent nonfat milk solids as Class I in accordance with the above criteria unless and until the product has distribution in excess of three million pounds per month in any single federal milk marketing area, or in excess of nine million pounds in three or more such marketing areas.*



# Low Carb Milk

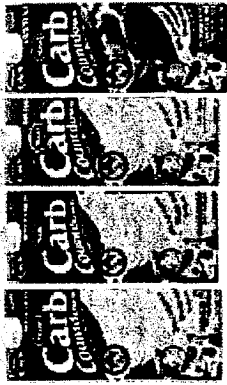
Review of Retail Sales & Analysis of Hood Carb Countdown's Source of Volume

Madlyn Daley

April 2005

**DMG** DAIRY MANAGEMENT INC.™

1/13 presentation to  
DPTA Officers



# Background

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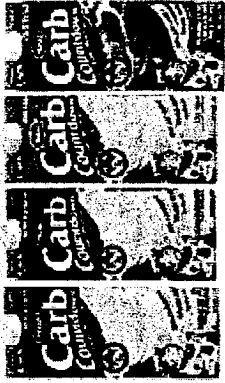
- NPD reports that 4% of the adult population is currently on a low carb diet
  - The peak was Jan '04 at 8%
- Yet, interest in cutting back on carbohydrates remains high at 60% of the adult population
- NPD further reports that low carb consumers\* consume less fluid milk than the general adult population
  - Lower carb adults 96 beverage milk eatings per year
  - Total adults 135 beverage milk eatings per year
- Similarly, MilkPEP\*\* reports that overall low carb dieters reveal lower milk consumption and less interest in consuming milk.
- And, IRI reports that low carb dieters are more likely to purchase soy beverages than average

\* Refined carbs represent 35% or less of total caloric intake

\*\* Source: DDC 2-04 report

**DMAi** DAIRY MANAGEMENT INC.™





# Background & Objective

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## ■ Background

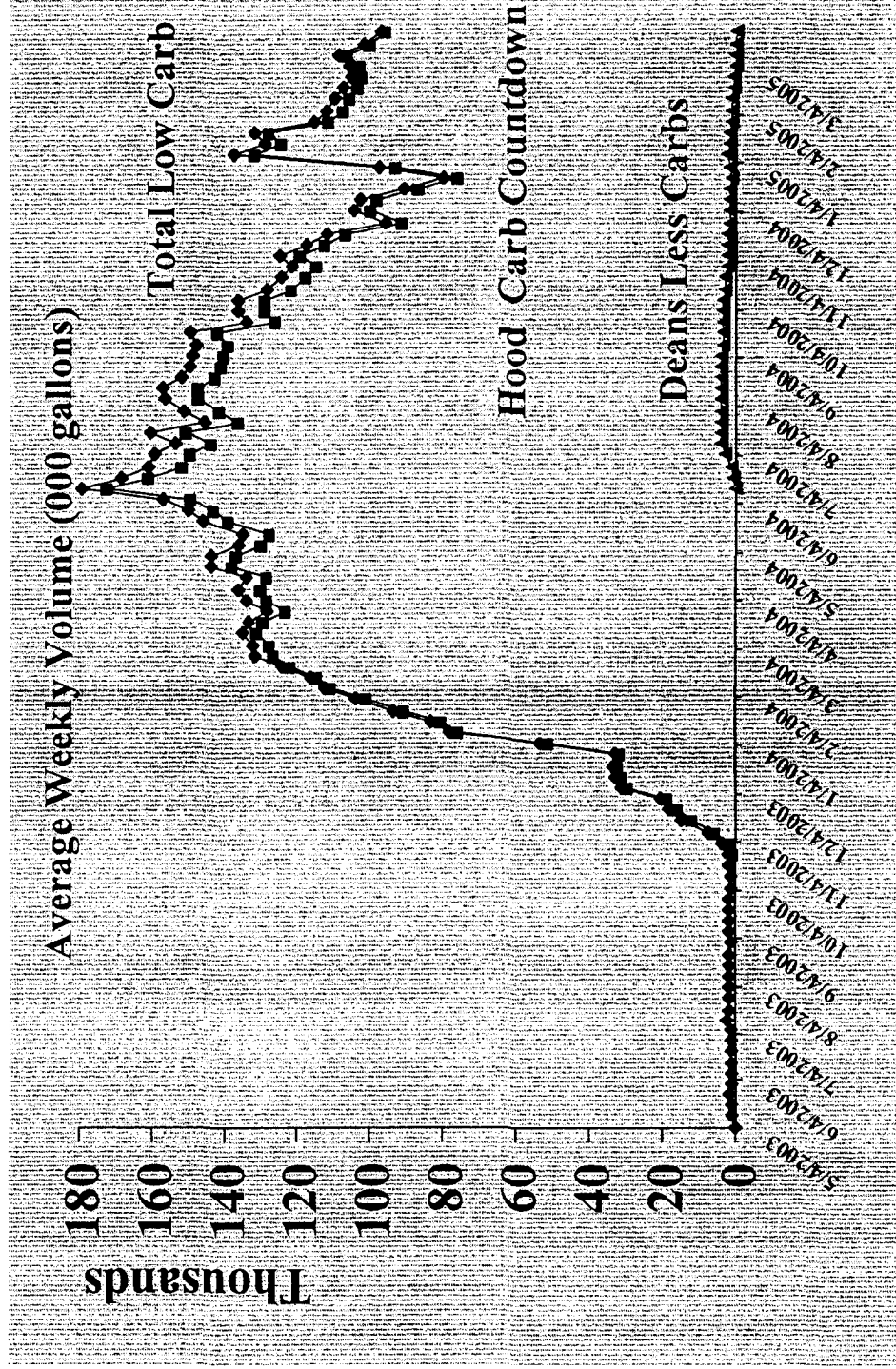
- Low Carb milk products came into the marketplace in response to the rapid consumer interest in low carbohydrate diets like Atkins and South Beach.
- In order to meet consumer demands, Hood was one of the first manufacturers to launch a low carb product. Hood Carb Countdown Milk was launched in Q4 2003.
  - It is the main player with a 95% share and distribution of 70% if food/drug/mass (without Wal Mart)
  - An IRI trial/repeat study of the product indicated that repeat, or satisfaction with the product, was high at 40%
  - Sales had grown quickly in the 1<sup>st</sup> half of 2004 until the combination of price increases and a weakening of low carb diet participation set in.

## ■ Objective

- Understand the impact of Hood Carb Countdown Milk on the overall Fluid Milk category.



# Low Carb Milk Segment: Peaked in July '04, Resurged in Jan '05



**DMAI** DAIRY MANAGEMENT INC.™

Source: IRI Scanner Food/Drug/Mass excluding Wal Mart



# IRI IntroSource Analysis

- DMI commissioned IRI to analyze the source of Hood Carb Countdown's volume

- **Geography**

- Total U.S. All retail outlets

- **Time Periods**

- Post Launch = 52 Weeks ending October 17, 2004
  - Pre-Launch = 52 Weeks ending October 19, 2003

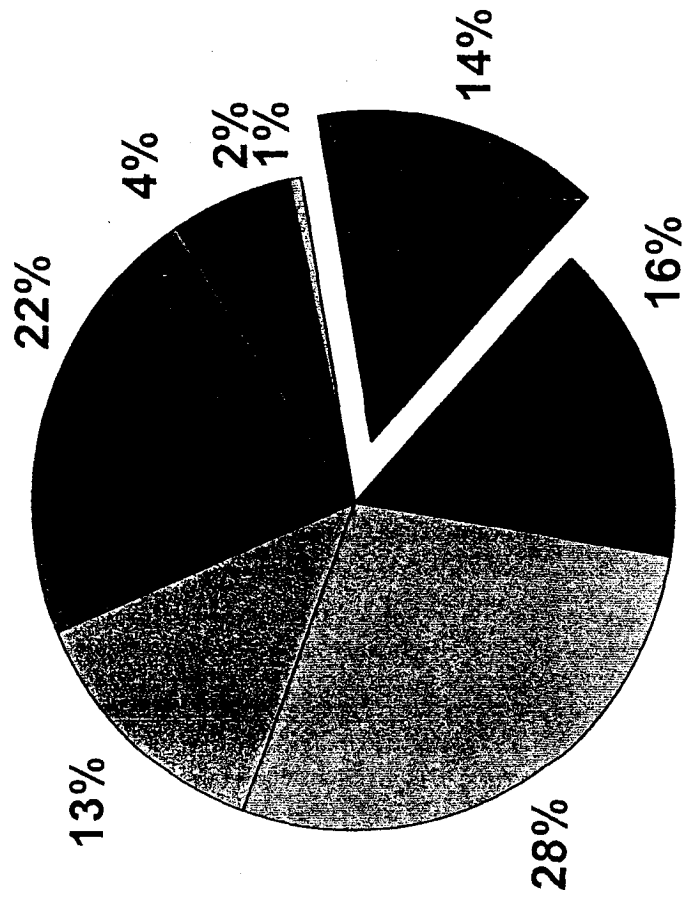
- **Potential Sourcing Targets**

- Whole White Milk
    - Reduced Fat White Milk
    - Low Fat White Milk
    - Fat Free White Milk
    - Flavored Milk
    - Lactose Reduc / Free Milk
    - AO Fluid Milk
- Mutually exclusive segments

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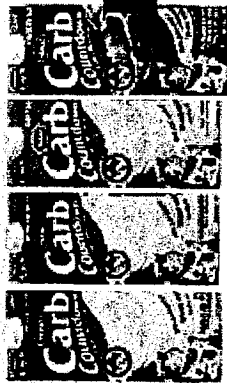


# Hood Carb Countdown Buyers Allocated 14% of their Category Purchases to the Brand



|  |                       |  |                     |  |                        |
|--|-----------------------|--|---------------------|--|------------------------|
|  | Hood Carb Countdown   |  | Whole White Milk    |  | Reduced Fat White Milk |
|  | Low Fat White Milk    |  | Fat Free White Milk |  | Flavored Milk          |
|  | Lactose Red/Free Milk |  | AO Fluid Milk       |  |                        |

Source: Information Resources Inc. IntroSource; All Outlets; 52 weeks ending October 17, 2004



# Hood Carb Countdown Source of Volume

•Hood Carb Countdown gained 98% of its volume from brand switching.

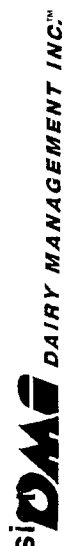
98.4

•The remaining 2% of volume was due to:

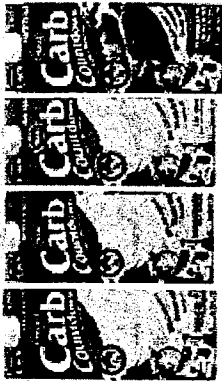
- New buyer churn (0.5%), which represents expected new buyers brought into the category by Hood Carb Countdown
- Unexpected new buyer expansion (0.1%)
- And, consumers who increased their purchases within the category (1.0%).

0.5      0.1      1.0

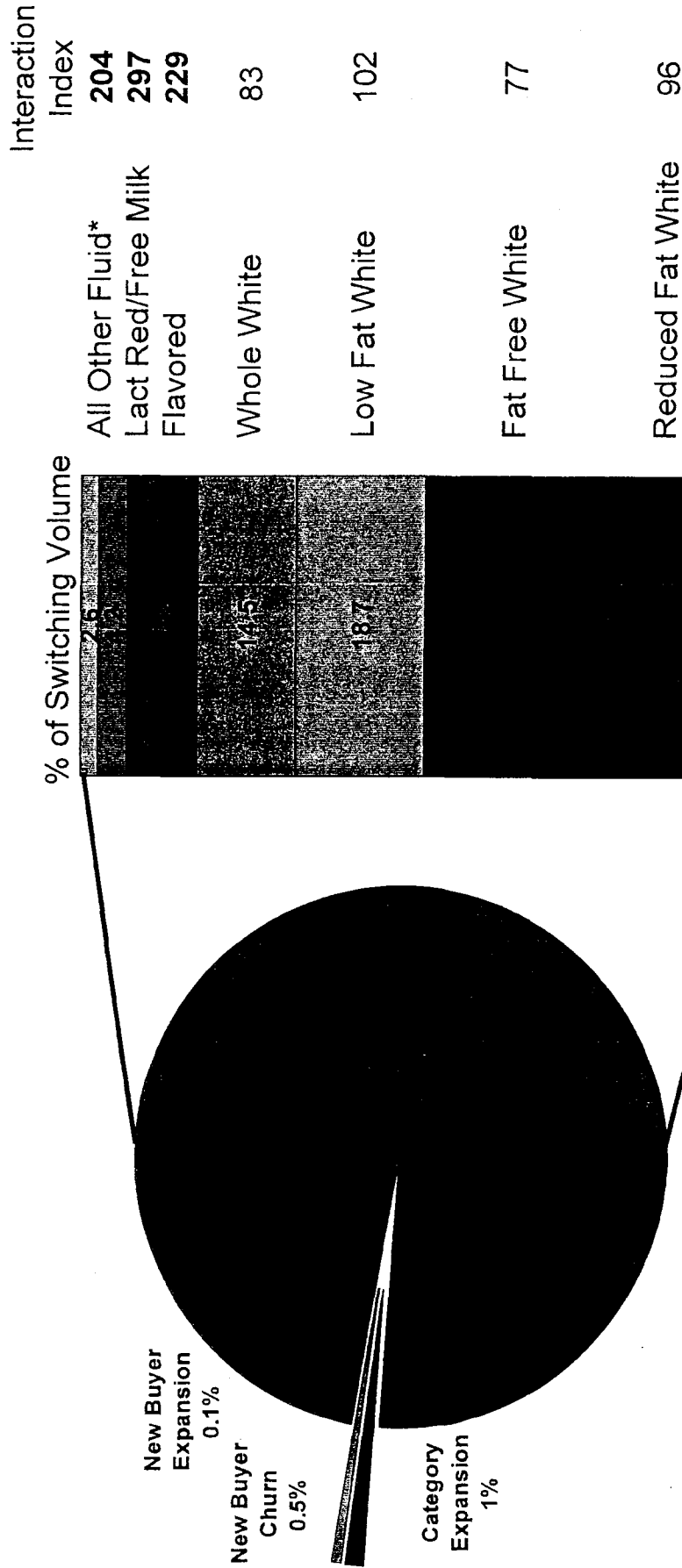
| Brand Switching | New Buyer Churn | New Buyer Expansion | Category Expansion |
|-----------------|-----------------|---------------------|--------------------|
| 98.4            | 0.5             | 0.1                 | 1.0                |



Source: Information Resources Inc. IntroSource; All Outlets; 52 weeks ending October 17, 2004



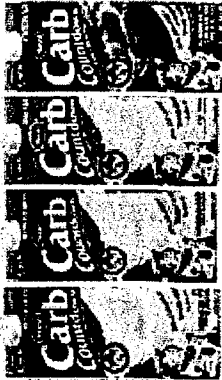
# Hood Carb Countdown Sourced Most of its Volume from Reduced Fat/Fat Free White, but had a Higher than Expected Interaction with Lactose Red/Free and Flavored



\*AO Fluid Milk = Egg Nog, Buttermilk, & Kefir

**DMAI** DAIRY MANAGEMENT INC.™

Source: Information Resources Inc. IntroSource; All Outlets; 52 weeks ending October 17, 2004



# Conclusions

- While switching within the milk category accounted for virtually all (98%) of Hood Carb Countdown's volume gains:
  - A large portion of Hood Carb Countdown's volume is sourced from consumers switching from lower fat milks.
  - Significant volume also was sourced from Lactose Reduced/Free Milk & Flavored Milks. Hood Carb Countdown is highly substitutable with these products.
- However, a small amount of volume sourced by this product came from new buyers to the category and from households who bought the new product in addition to other items from the category, thus increasing the household's total category volume.

Hood CC  
fulfilling a  
diet need,  
sugar  
reduction  
need.....

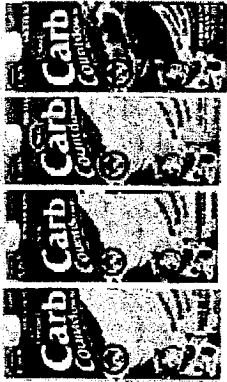
Hood CC  
bringing in  
new "niche"  
buyers



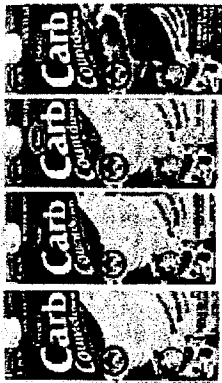
# Implications

- New products capitalizing on emerging consumer eating/diet trends can help to bolster milk consumption/sales
  - The new low carb milk beverages recently introduced appear to have retained milk consumption among low carb dieters





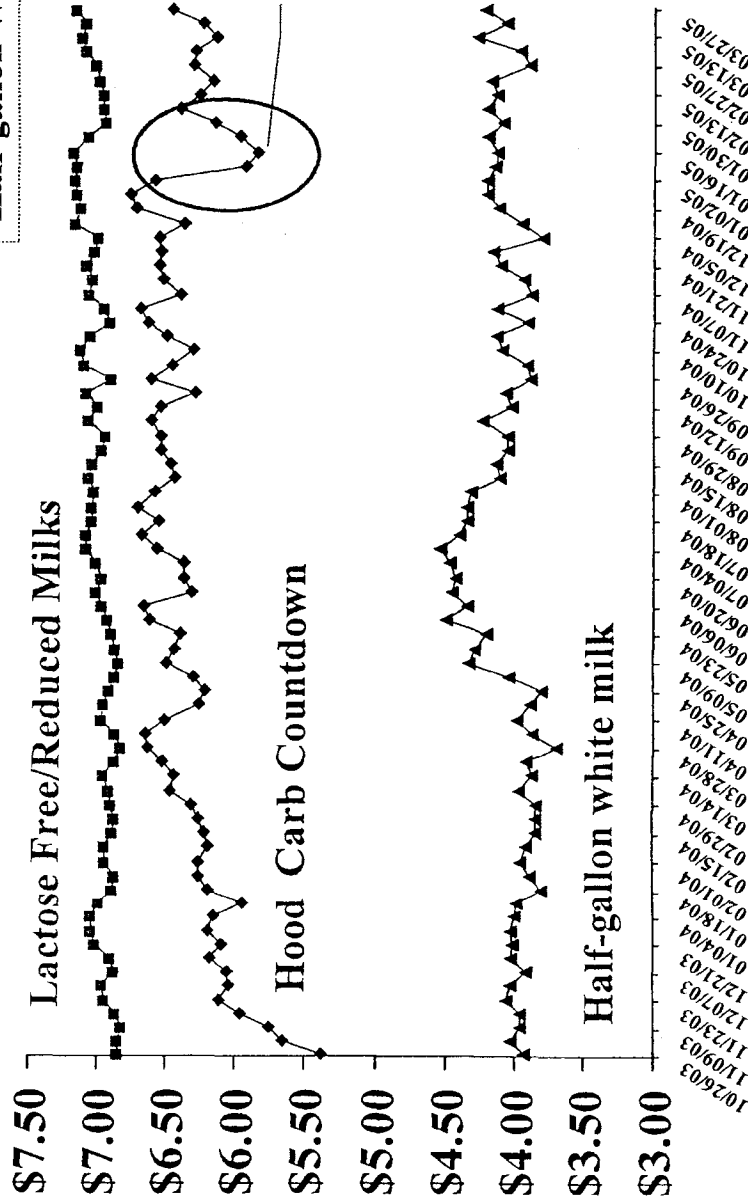
# Appendix



# Pricing of Low Carb Milk in Line with other Specialty Milks

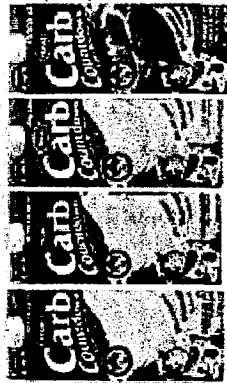
| Pricing (3/27/05):         |  |  |        |
|----------------------------|--|--|--------|
| Hood Carb Count (1/2 gal)  |  |  | \$3.23 |
| Lact Fr/Red Milk (1/2 gal) |  |  | \$3.54 |
| Half-gallon White Milk     |  |  | \$2.11 |

Average Price per Volume (Gallon Equivalent)

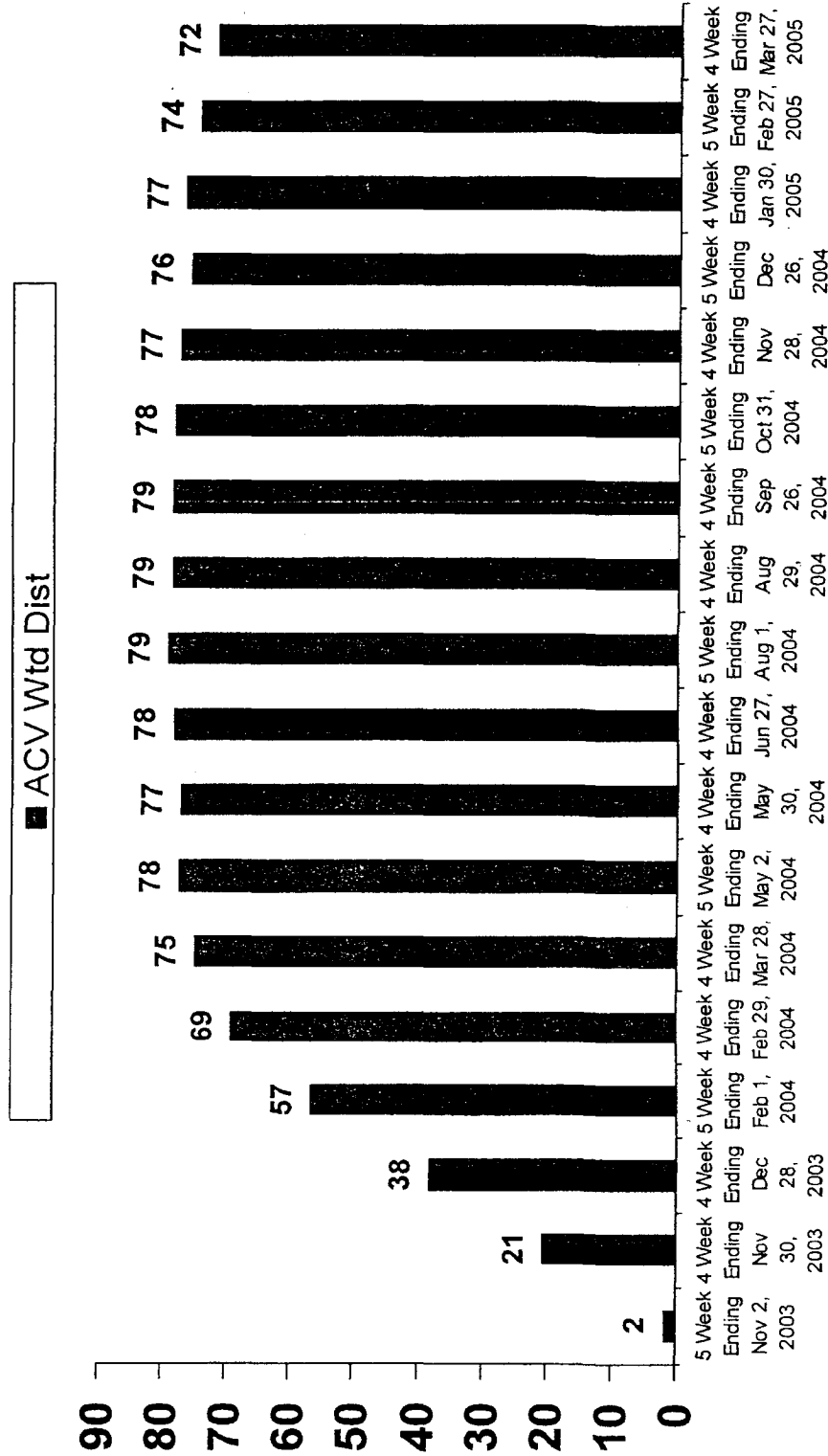


**DMG** DAIRY MANAGEMENT INC.™

Source: IRI Scanner Food/Drug/Mass excluding Wal Mart



# Majority of Stores Carry Hood Carb Countdown, but Distribution has Dropped Slightly



**DMAI** DAIRY MANAGEMENT INC.™

Source: Information Resources Inc. Scanner POS data, Total US - FDMx



# IRI IntroSource Methodology

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## Methodology

The IntroSource matches households that tried the new product to households that did NOT try to get an *accurate expectation of trier behavior*.

### Bought Category in Period One and Period Two

**New Product Trier Matched to New Product Non-Trier Household**

Based on historical volume purchasing

### Bought Category in Period Two Only (i.e. New Category Buyers)

**New Product Trier Matched to New Product Non-Trier Household**

Based on demographics because no historical volume purchasing trends exist

All matches are performed within the same market such that the households have had the opportunity to be exposed to the same promotional/pricing conditions



# IRI IntroSource Methodology

Hood Carb Countdown sales came from 4 potential sources:

## 1. Category Churn

Expected category sales

## 2. Brand Shifting

One brand in a buying household's purchase mix was replaced by a different brand.



## 3. Category Expansion

A buying household added the new brand to its existing purchase mix, increasing its total category volume.



## 4. New / Infrequent Category Buyers

A household that did not purchase the category in Period 1 became a category buyer, buying (at least) the new brand.



Increased Consumption



# IntroSource Methodology

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## Category Churn

The part of new category buyer volume which is normal and expected.

- Consumers can come in and out of some categories quite infrequently.
- In these cases, they are not just choosing between brands within a category, but also deciding whether to buy a category or not.

Provides a better measure of incremental category volume.



# IntroSource Methodology

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## Interaction Indices

- Interaction indices are a “fair share” measurement of the interaction between brands based on their category shares.
- Interaction is considered a measure of substitutability.
- An index of 120 or greater means the brands interact more than expected. An index of 80 or less means the brands interact less than expected.
- Net Shifting Changes and Interaction Indices are independent measures. Interaction Indices relate to the total amount of volume that goes back and forth between brands, not the net change.



# IntroSource Methodology

- IntroSource accurately reports all the volume accounted for by new category buyers.
- The IntroSource Model acknowledges that some of this volume is to be expected.
- Therefore, IntroSource reports the expected New Buyer volume, as well as the incremental New Buyer volume.

